

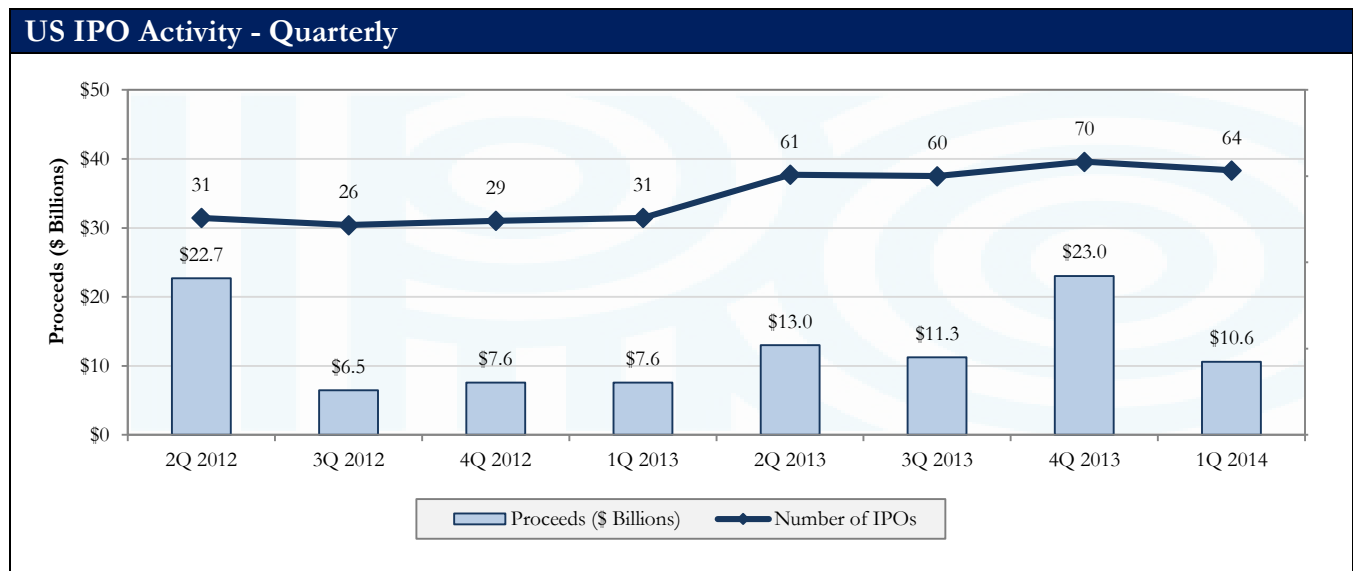
March 31, 2014

## US IPO Market Boasts Record First Quarter

The US IPO market showed more activity than any other first quarter since 2000 as 64 companies raised \$10.6 billion. That is more than double the number of IPOs in the first quarter of 2013, a year that also had the most public offerings in over a decade. IPO deal flow remained strong despite a sharp market sell-off early in the quarter caused by economic stress in emerging markets, European turmoil in Ukraine, and a weak finish as investors worried over the Fed's plan to continue tapering. Driven by a wave of biotechs, health care companies dominated the calendar this quarter, accounting for nearly half of all IPOs. The technology sector picked up in March as investors embraced companies offering cloud and enterprise software. And with 103 new filings during the quarter, the rest of 2014 is on track to keep up this record pace. While we expect tech and health care to remain active, the IPO market will broaden to include large PE-backed names (Biomet, La Quinta), spinoffs (GE's Synchrony) and Chinese companies (Weibo, JD.com, Alibaba).

### Key Takeaways:

- Biotechs Help Drive Record First Quarter Activity
- Health Care and Technology Sectors Surge
- IPO Returns Peak Mid-Quarter
- Health Care Returns Remain Strong; Tech Returns Weaken Late in Quarter
- Biotechs Dominate Best and Worst IPOs
- PE Drives IPO Proceeds; VC Produces 40 Deals
- US IPO Index Outperforms in 1Q 2014
- New IPO Filings Outpace Record First Quarter Offerings



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

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Key US IPO Statistics					
	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Number of Deals	31	61	60	70	64
Proceeds Raised (US\$mm)	\$7,600	\$13,000	\$11,300	\$23,000	\$10,600
Median Deal Size (US\$mm)	\$105	\$101	\$116	\$178	\$91
PE-Backed Deals	10	23	14	21	16
PE-Backed Proceeds (US\$mm)	\$3,000	\$7,800	\$4,000	\$9,700	\$6,200
VC-Backed Deals	8	22	27	25	40
VC-Backed Proceeds (US\$mm)	\$600	\$2,100	\$2,500	\$4,600	\$3,200
Performance					
Average US IPO Return	18.3%	21.1%	26.5%	46.4%	25.3%
FTSE Renaissance US IPO Index	11.3%	3.1%	29.9%	9.5%	3.9%
S&P 500	10.0%	2.4%	4.7%	9.9%	1.3%
Russell 3000	10.5%	2.2%	5.8%	9.6%	1.5%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2014.

### Biotechs Help Drive Record First Quarter Activity

2014 kicked off the year with the most active first quarter IPO market since the 2000 tech bubble, both in terms of launches (64) and new filings (103). Continued low real interest rates led investors to seek out traditional growth companies, as well as biotechs, which are further out on the risk curve. The resulting cascade of biotechs shaped the quarter as median deal size shrunk and venture capital drove almost two-thirds of IPO deal flow. The sheer number of deals led to a 39% increase in proceeds raised over the 1Q13, though still less than half of the \$23 billion raised in the 4Q13. Average returns were also higher than last year's first quarter, but well below the exceptional gains in the fourth quarter. Four IPOs, two tech and two biotech, spiked over 100% on first-day trading. However, a late-quarter selloff among growth and momentum stocks took its toll on the IPO space. Despite talk of a bubble fueled by record issuance, signs of discipline also emerged when SaaS company Globoforce withdrew its IPO, Diamond S Shipping postponed and several more mature companies priced below their initial range. The end-of-quarter dip did not noticeably discourage IPO activity if the number of companies submitting initial filings is any indication, as March saw more new IPO filing than any other month in ten years (46).

### Health Care and Technology Sectors Surge

Almost half of all IPOs in the 1Q 2014 were health care companies due to the 26 biotechs that priced, a quarterly record. The technology sector also played a large role with 11 new offerings, most of which focused on enterprise software and hit late in the quarter. Most of the software IPOs were unprofitable and commanded high revenue multiples as investors continued to pay up for growth. Consumer and financial IPO activity dropped dramatically from the prior quarter, though a number of high-profile names are now in the docket or on file. Financial IPOs led the way on proceeds thanks to the quarter's largest deal (Santander Consumer USA), while energy followed with three of the top six (Rice Energy, EP Energy, RSP Permian).

Proceeds by Sector (US\$ Billion)															
Sector	1Q 2013			2Q 2013			3Q 2013			4Q 2013			1Q 2014		
	#	\$	% of	#	\$	% of	#	\$	% of	#	\$	% of	#	\$	% of
Financial	10	\$1.4	18%	15	\$3.6	28%	6	\$1.4	12%	14	\$3.8	17%	5	\$2.4	22%
Energy	3	\$0.9	12%	2	\$0.4	3%	9	\$3.1	27%	8	\$6.4	28%	6	\$2.3	22%
Technology	4	\$0.3	4%	12	\$1.4	11%	14	\$1.5	14%	15	\$4.6	20%	14	\$1.9	18%
Health Care	6	\$2.5	33%	17	\$2.1	16%	19	\$3.0	27%	12	\$1.1	5%	30	\$1.9	18%
Bus. Services	2	\$0.6	9%	0	\$0.0	0%	0	\$0.0	0%	1	\$0.7	3%	3	\$1.1	10%
Capital Goods	3	\$0.6	8%	4	\$2.1	16%	4	\$0.7	6%	3	\$0.3	1%	3	\$0.3	3%
Transportation	0	\$0.0	0%	1	\$0.2	1%	2	\$0.5	4%	4	\$1.2	5%	1	\$0.3	3%
Consumer	2	\$1.0	14%	4	\$2.0	15%	4	\$0.9	8%	9	\$4.3	19%	2	\$0.3	3%
Materials	1	\$0.3	3%	4	\$0.7	6%	2	\$0.2	1%	2	\$0.4	2%	0	\$0.0	0%
Utilities	0	\$0.0	0%	0	\$0.0	0%	0	\$0.0	0%	0	\$0.0	0%	0	\$0.0	0%
Communications	0	\$0.0	0%	2	\$0.5	4%	0	\$0.0	0%	2	\$0.3	1%	0	\$0.0	0%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. \*Less than 1%.

The top ten largest IPOs of the quarter returned an average of 10%. First-day trading was subdued as the group traded only 2% above issue. Eight of the ten had private equity behind them, including three LBOs – EP Energy, CHC Group and Nord Anglia.

Largest US IPOs						
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	Return from IPO†	
Santander Consumer USA	SC	22-Jan	\$1,800	Financial	0.3%	
Rice Energy	RICE	23-Jan	\$924	Energy	25.7%	
EP Energy	EPE	16-Jan	\$704	Energy	-2.2%	
CBS Outdoor Americas	CBSO	27-Mar	\$560	Business Services	4.5%	
King Digital Entertainment	KING	25-Mar	\$500	Technology	-19.2%	
RSP Permian	RSPP	16-Jan	\$390	Energy	48.2%	
CHC Group	HELI	16-Jan	\$310	Transportation	-26.1%	
Nord Anglia Education	NORD	25-Mar	\$304	Business Services	19.8%	
TriNet Group	TNET	26-Mar	\$240	Business Services	33.2%	
Ladder Capital	LADR	5-Feb	\$225	Financial	11.1%	

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2014.

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### IPO Returns Peak Mid-Quarter

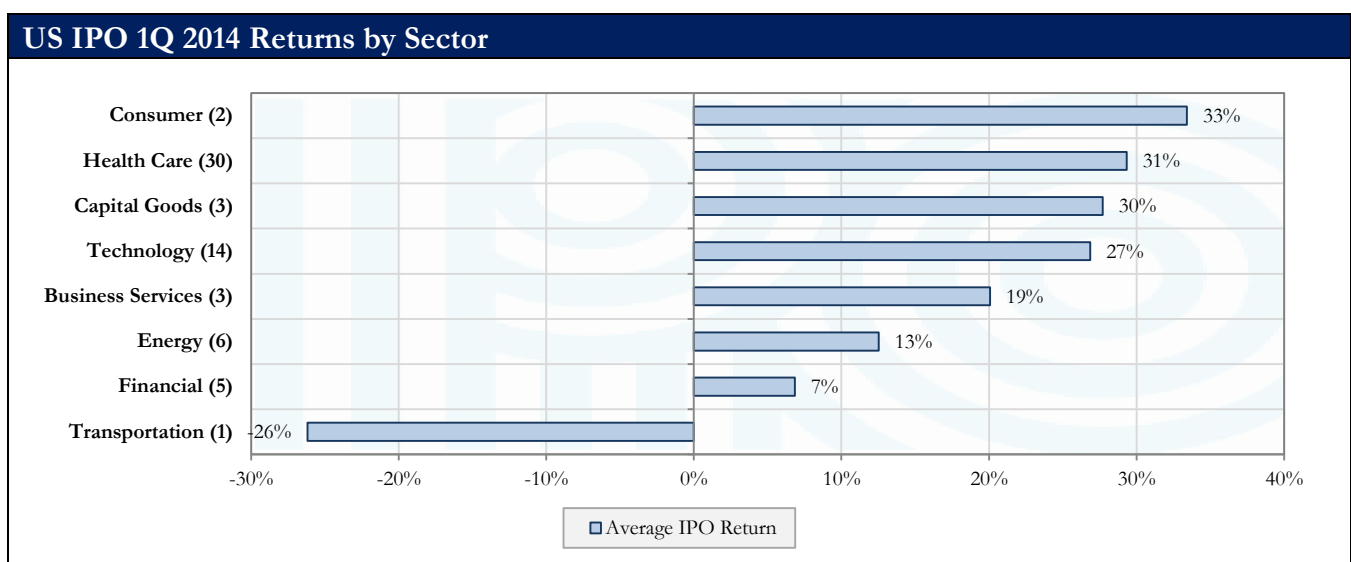
Average total IPO returns were 25% but were mostly due to strong first-day pops rather than a strong follow through. Buoyed by four 100%+ pops, average first day returns were in line with the elevated levels of the 2H13 and significantly higher than the past five years' average of 13%. However, aftermarket return produced a more reasonable 6.8%, compared to last quarter's 20% return and the 24% peak seen in early March. There are several reasons for the IPO roller coaster returns. The first quarter's IPOs were more speculative with 70% recording LTM net losses, a function of the large mix of biotechs and money-losing SaaS IPOs. Last year's run-up could also have caused investors to assign overly optimistic valuation multiples to biotechs and tech companies that now seem unjustified. Despite the recent dip, positive aftermarket trading should support continued healthy new issuance.

Return Statistics					
	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Avg. Total Return	18.3%	21.1%	26.5%	46.4%	25.3%
Avg. First-Day Return	12.6%	13.0%	19.1%	21.8%	20.3%
Avg. Aftermarket Return	4.9%	7.0%	7.0%	20.3%	6.8%
% Deals with <b>Negative</b> First-Day Return	29.0%	26.2%	30.5%	22.9%	23.4%
% Deals Priced <b>Below</b> the Range	22.6%	34.4%	25.0%	30.0%	26.6%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2014.

### Health Care Returns Remain Strong; Tech Returns Weaken Late in Quarter

Health care IPOs had the second-best returns, including eight biotechs that traded up at least 50% from their offer price. Technology's 27% gains hide the group's extremely varied returns, and the group's end of quarter slide. Five companies put consumer and capital goods among the highest averaging sectors of the quarter, but only after heavy IPO discounts.



Source: Renaissance Capital †Based on offer price to 6/28/2013 closing price.

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### Biotechs Dominate Best and Worst IPOs

As expected in a quarter where biotechs accounted for 40% of IPO deal flow, the health care industry dominated the list of top ten best and worst performers. Nine of the top ten were tech and biotech, eight had no product revenue and all but one, Malibu Boats, were unprofitable. Biotechs took seven spots in both the best and worst performing IPO lists. In a sector with so much uncertainty, investors were discerning based on the mix of addressable market, technological distinction and timing and likelihood of approval. In a sign of speculation followed by correction, the top ten first-day performers averaged -11% in the aftermarket, with a -18% median. Cloud software company Castlight Health was notably absent from the best-performing list as its meteoric 149% rise has since fizzled to 33%. Investors may have concluded that its first-day \$4 billion valuation was unjustified for a company with \$13 million in trailing annual sales. The best first-day performer, Dicerna, soared 207% but traded down 39% in the aftermarket. Online and mobile game developer King Digital stands out as a noteworthy loser, having the worst first-day drop in over 15 years for a company raising \$500 million or more.

Best-Performing US IPOs					
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	Return from IPO†
Auspex Pharmaceuticals	ASPX	4-Feb	\$84	Health Care	156.3%
Energous	WATT	27-Mar	\$24	Technology	145.8%
Ultragenyx Pharmaceutical	RARE	30-Jan	\$121	Health Care	132.8%
GlycoMimetics	GLYC	9-Jan	\$56	Health Care	104.1%
Revance Therapeutics	RVNC	5-Feb	\$96	Health Care	96.9%
Dicerna Pharmaceuticals	DRNA	29-Jan	\$90	Health Care	88.3%
Cara Therapeutics	CARA	30-Jan	\$55	Health Care	69.2%
Varonis Systems	VRNS	27-Feb	\$106	Technology	62.5%
Eleven Biotherapeutics	EBIO	5-Feb	\$50	Health Care	62.3%
Malibu Boats	MBUU	30-Jan	\$100	Consumer	58.7%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2014.

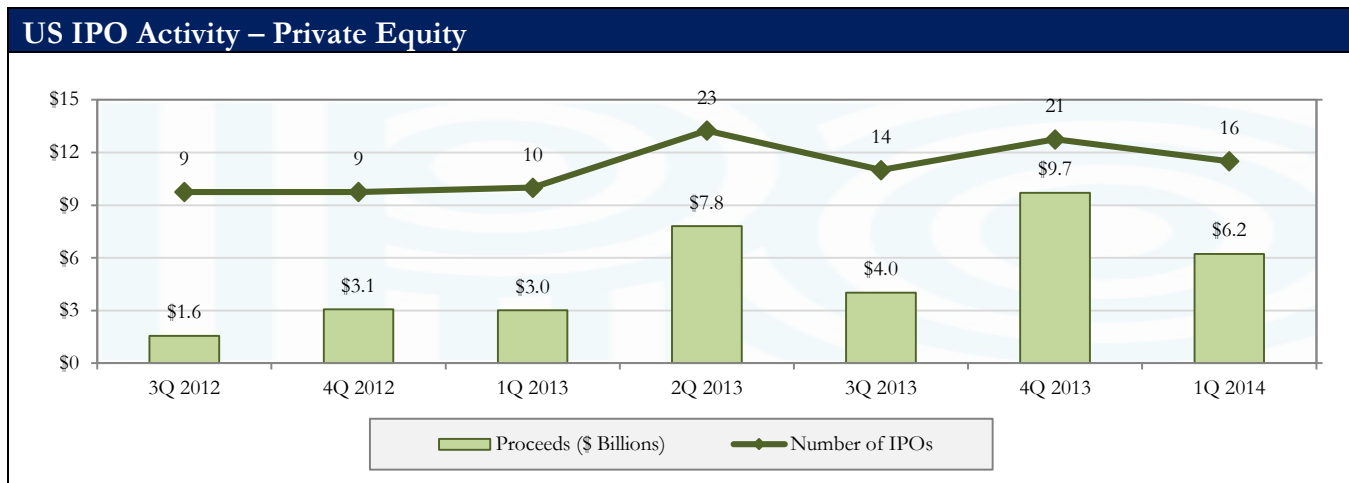
Worst-Performing US IPOs					
Company	Ticker	Offer Date	Deal Size (\$mm)	Sector	Return from IPO†
NephroGenex	NRX	10-Feb	\$37	Health Care	-32.4%
CHC Group	HELI	16-Jan	\$310	Transportation	-26.1%
King Digital Entertainment	KING	25-Mar	\$500	Technology	-19.2%
Dipexium Pharmaceuticals	DPRX	12-Mar	\$33	Health Care	-16.0%
Galmed Pharmaceuticals	GLMD	12-Mar	\$38	Health Care	-15.0%
Eagle Pharmaceuticals	EGRX	11-Feb	\$50	Health Care	-15.0%
Ignyta	RXDX	13-Mar	\$48	Health Care	-9.3%
Recro Pharma	REPH	6-Mar	\$30	Health Care	-8.5%
uniQure	QURE	4-Feb	\$92	Health Care	-8.4%
Lumenis	LMNS	26-Feb	\$75	Health Care	-6.0%

Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs. Returns as of 3/31/2014.

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### Private Equity Drives IPO Proceeds

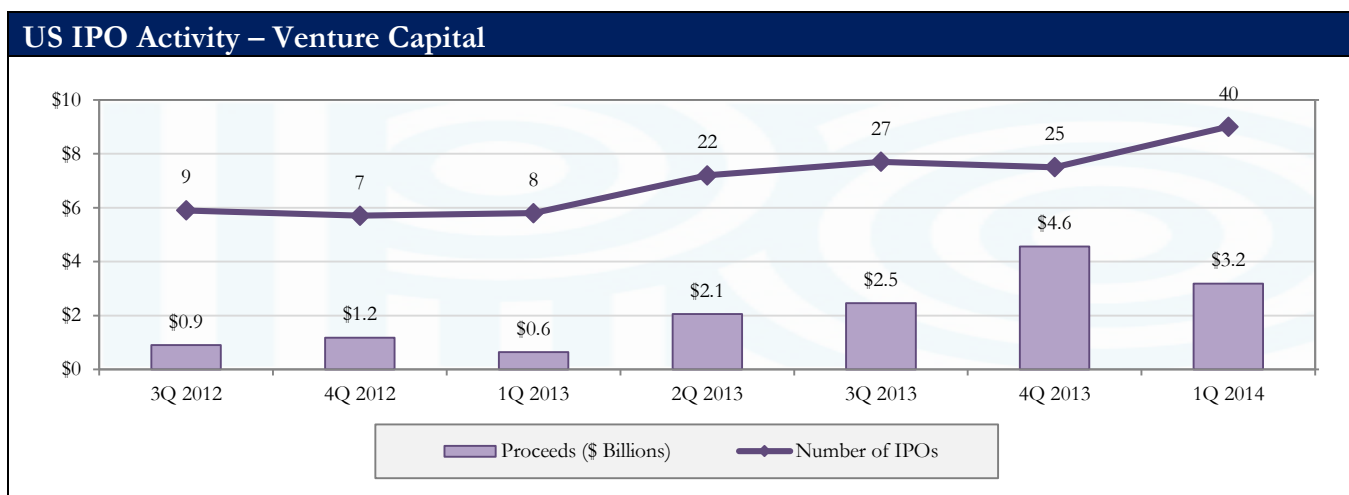
Proceeds for first quarter private equity IPOs were about \$3.3 billion less than last quarter and \$3.3 billion more than the prior year period. The largest PE-backed deal was Santander Consumer USA, the auto-loan spinoff that raised \$1.8 billion. While mega pre-crash LBOs still remain in the backlog, the first quarter failed to produce a \$1 billion IPO, with EP Energy being the largest. However, large LBOs should kick off the 2Q 2014 with pending IPOs from IMS Health and La Quinta Holdings.



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

### Venture Firms Produce 40 Deals

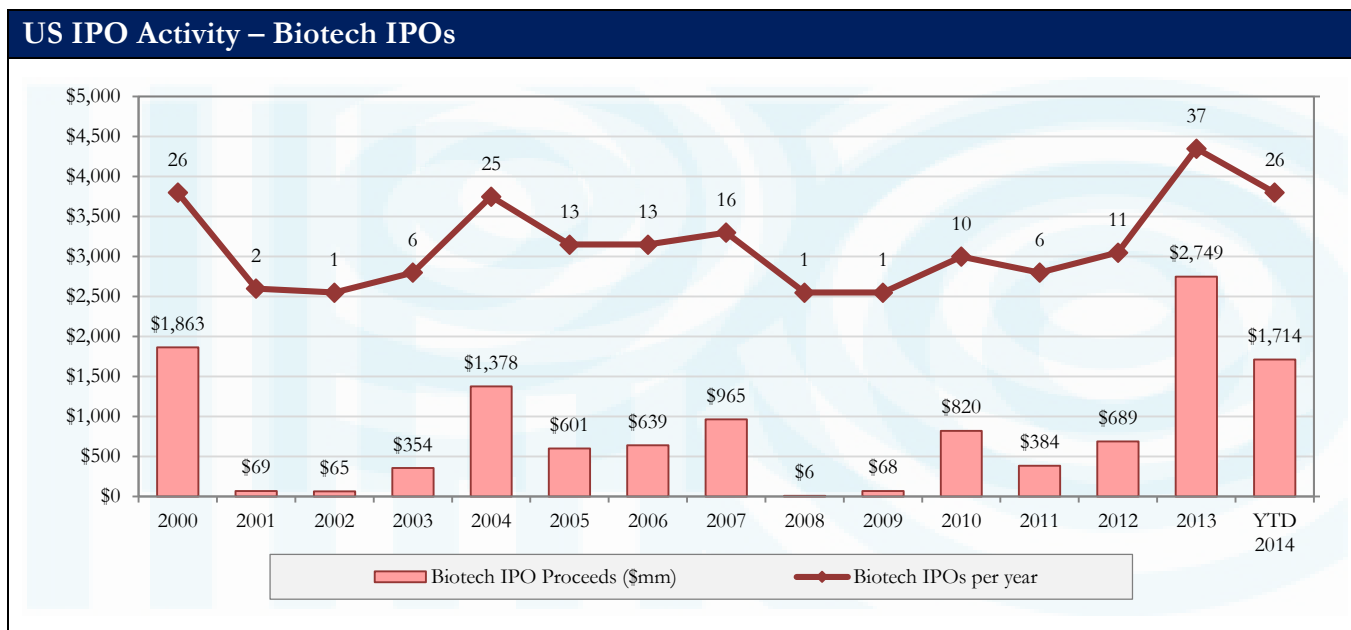
Fueled by biotech, the first quarter produced 40 venture-backed IPOs, over half the total number of issuances and more than double the number of PE-backed IPOs. The past four quarters have seen 114 companies (46% of total) go public with venture backing, which is up meaningfully from the prior LTM period (35 deals, 25%).



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

### Biotech Activity Continues at a Record Pace

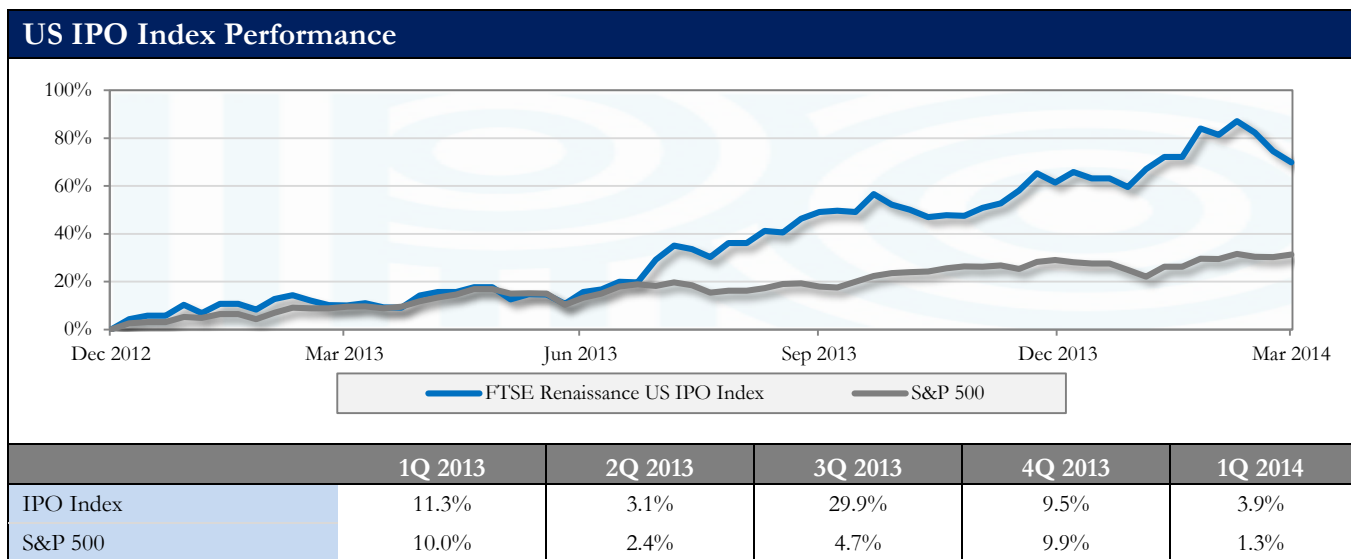
26 biotech IPOs priced in the first quarter, the same as the entire year of 2000 and more than double the historical annual average of 12. This record activity is likely driven by rapid advancements in bioscience, the FDA's greater emphasis on accelerating approval for life-saving drugs, venture firms hoping to cash out of holdings held longer than intended and investors' aforementioned risk appetite. Insiders bought shares on the offering in 58% of the deals. The 26 biotechs were given an average discount of 6% to the midpoint of the original range, but the industry was among the quarter's top performers, returning an average of 36%. Investors were receptive to both early and late-stage companies, too: the top six biotechs included three in Phase 3 and three in Phases 1/2. Three biotechs also finished the quarter trading over 100%. They include Auspex, which treats CNS disorders, Ultragenyx, which focuses on rare genetic diseases and priced 35% above its range, and the year's first IPO, GlycoMimetics, which treats a rare sickle cell disease and priced 47% below its range following a failed IPO attempt in late 2013. The fourth best performer, Revance, has a broader audience with its topical botulinum toxin (Botox) product.



Source: Renaissance Capital. Includes IPOs with a market cap of at least \$50 million and excludes closed-end funds and SPACs.

### US IPO Index Outperforms in 1Q 2014

The US IPO Index outperformed global equity benchmarks with a quarterly return of 3.9%, compared to the 1.3% return of the S&P 500. The technology and energy sectors were crucial in the index's outperformance this quarter. Strong tech contributors included social networking giant Facebook (FB; +10%), on-demand software platform Workday (WDAY; +9%), and IT security software company FireEye (FEYE; +46%), while contribution from the energy sector was led by oil & gas exploration and production company Diamondback Energy (FANG; +32%) and natural gas transportation MLP EQT Midstream Partners (EQM; +18%).



Note: The FTSE Renaissance US IPO Index Series represents a rolling two-year population of newly public companies included after the first day of trading and weighted by float adjusted market cap. Data as of March 31, 2014.



### New IPO Filings Outpace Record First Quarter Offerings

The US IPO pipeline swelled in the 1Q 2014 and now stands at 122 companies, representing \$32.3 billion in estimated proceeds. 88 are considered active, having filed an amendment within the past 90 days. 103 companies submitted initial filings to form the largest influx to the IPO pipeline since the third quarter of 2007, and a 186% increase over the year-ago period's 36. Because of the 2012 JOBS Act, which allows companies to file confidentially, the quarter's actual new IPO prospects are considerably higher. IPO filings were concentrated in three sectors. On top of record issuance, health care companies still account for 25% of the pipeline with 30 deals. Technology is second at 20% with 24 deals, while the financial sector's 19 deals and 16% share implies a pickup. After a handful of well-received IPOs in late 2013, not one Chinese company went public in the US during the first quarter, but two are now on the calendar for April. Large upcoming deals from Chinese firms also include JD.com, Weibo and Alibaba.

#### Notable Upcoming IPOs

Company	Business	Sector	LTM Sales (\$mm)	Deal Size (\$mm)
Synchrony Financial	US consumer lending arm of conglomerate General Electric.	Financial	\$10,571	\$4,000**
Ally Financial	Leading global auto finance company and former unit of GM (GMAC).	Financial	\$4,263	\$2,518
JD.com	Largest online direct sales company in China by transaction volume.	Technology	\$11,454	\$1,500
Biomet	Orthopedic products manufacturer and distributor.	Health Care	\$3,122	\$1,000**
Sabre	Technology solutions for the travel industry; operates Travelocity.	Technology	\$3,050	\$750**
La Quinta	One of the largest select-service hotel operators in the US.	Consumer	\$874	\$725
Weibo	China's largest microblogging service.	Technology	\$188	\$500
Box	Provides enterprises with a cloud storage and collaboration platform.	Technology	\$124	\$250
Virtu Financial	High-frequency electronic trading firm and market maker.	Financial	\$665	\$250**
Zoe's Kitchen	Fast-casual restaurants serving Mediterranean-inspired comfort food.	Consumer	\$116	\$81

Source: Renaissance Capital. \*\*RC estimate.

In addition to the visible pipeline, there are many companies on our private company watch list that we believe are primed to tap the public markets in 2014. Our watch list now contains roughly 240 companies, a number of which have filed confidentially. Alibaba tops the list, having recently chosen to offer its shares in the US in a deal that we speculate will raise more than \$15 billion.

#### Notable Private Companies Expected to Seek IPOs

Company	Business	Sector	Est. Sales (\$mm)	Est. Funding (\$mm)
Alibaba	China's largest e-commerce firm.	Technology	\$6,735	n/a
DropBox	Web-based cloud storage provider.	Technology	\$200	\$507
Go Daddy	Largest web registration and hosting company.	Technology	\$1,430	n/a
Markit	Provides financial data, valuations and trade processing services.	Financial	\$860	\$750
MGM Holdings	Parent company of Hollywood movie studio Metro-Goldwyn-Mayer.	Consumer	\$1,966	n/a
Spotify	Subscription-based music streaming service.	Technology	\$585	\$650
GoPro	Producer of wearable activity cameras.	Consumer	\$526	\$200
Wayfair	Operates home goods e-commerce sites.	Technology	\$915	\$358
Blue Buffalo	Largest maker of all natural dog and cat food.	Consumer	\$600	n/a
El Pollo Loco	Mexican-themed fast-food chicken restaurants.	Consumer	\$307	n/a

Source: Renaissance Capital.

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### Outlook

The US IPO market got off to a record start in the 1Q 2014, surpassing all historical first quarter activity since 2000 as biotech and tech firms rushed through a window opened by growth-hungry investors. Looking ahead, biotechs will be abundant, but the US IPO market should continue 2013's strong showing of technology firms and trend toward larger deals, including LBOs, notable spinoffs and Chinese firms. Popular technology firms like Box, Sabre and GoPro will grab headlines. Pending large PE deals offerings include IMS Health, La Quinta and Biomet. The upcoming launches of medical center operator iKang and IT training center operator Tarena herald a surge of Chinese firms planning a US IPO that now include online real estate platform Leju, microblogging site Weibo and the highly-anticipated Alibaba, which could raise more funds than the combined total of every US-listed Chinese IPO in the past eight years. Large spinoffs include GE's Consumer lending arm Synchrony Financial and Antero Resources' midstream energy assets. The first quarter is typically less robust than the next two and has historically accounted for 20% of annual IPO activity, but either this has been a biotech-fueled exception or 2014's deal count could reach 300. We suspect the answer is probably somewhere in between, putting the market on track to exceed last year's 222 IPOs.